



July 13, 2012

Ms. Marlene Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Room TW-A325  
Washington, D.C. 20554

RE: **Ex parte filing** in WC Docket Nos. 10-90 and 05-337

Dear Ms. Dortch:

On July 11, Steve Merriam from Arctic Slope Telephone Association Cooperative, Inc. (ASTAC) and Matthew Tycksen and the undersigned from GVNW Consulting, Inc. (GVNW) conducted a telephonic ex parte meeting with the following individuals from the Wireline Competition Bureau: Carol Matthey, Patrick Halley, Amy Bender, Steven Rosenberg, Craig Stroup, James Eisner, John Emmitt, Gary Seigel, and Ying Ke.

The ex parte meeting started with our thanking Carol for her invitation on February 27 to follow-up on QRA data error issues. We further expressed our appreciation of Commissioner Clyburn's invitation at the June 7 Senate Committee on Indian Affairs hearing to visit with WCB staff on these QRA data issues, which is the purpose of this telephonic ex parte.

The balance of this ex parte meeting consisted of a discussion of the items detailed below related to quantile regression errors for ASTAC. We also discussed that the Arctic Slope service area is larger than the state of Minnesota, covering over 88,695 square miles.

- Roads

Road data supplied by Arctic Slope has been coupled with road data from Tiger Shapefiles for North Slope, Alaska. The analysis shows that Tiger road data does not exist for specific areas where Arctic Slope operates. Further, TomTom North America road data does not exist for specific areas in the North Slope. The FCC utilizes TomTom Telecommunications Suite 2011.09 road data to measure road lengths and lists Arctic Slope's total road length at 2429 miles. Preliminary analysis suggests that the true number of road miles in Arctic Slope's service area is 168.1, which is significantly less than the figure listed by the FCC, including seasonal ice roads. We have attached our calculations, as well as information derived from Google Earth that shows a noticeable absence of roads in the desolate and isolated ASTAC service territory.

<b>ASTAC Exchange Name</b>	<b>Road Miles</b>
Kaktovik	8.1
Anaktuvuk Pass	6.5
Nuiqsut	10.4
Atkasuk	6.8
Wainwright	10.2
Pt. Lay	7.2
Pt. Hope	12.6
Deadhorse	106.3
Total	168.1

We agreed to follow-up in the waiver request with our calculation of road crossings.

- Climate

The climatic conditions in the North Slope of Alaska are some of the harshest in all of the 50 states. With a 75 day construction window, ASTAC must deploy crews on 12 hours shifts, seven days a week in order to complete projects. We discussed the needed corrections in a separate attachment.

- Difficulty vs. PctBedrock

The “Difficulty” variable provides a measure of the effort needed to operate and lay plant into the soil in a given service area. The data is derived from the STATSGO2 dataset, and values for various soil types range from 1, being the easiest to work, to 4, the most difficult. The “PctBedrock36” variable measures the percentage of bedrock found within 36 inches of the surface in a given service area, the depth at which digging occurs. Intuitively, the higher the percentage of bedrock found within 36 inches of the surface, the more difficult working the soil should be, thus there must be some positive correlation between Difficulty and PctBedrock36. However, when observing the values listed for Alaskan carriers, PctBedrock36 ranges from 0.00% to 33.56%, and yet the value for Difficulty for every Alaskan carrier is 1. If the PctBedrock36 is acknowledging that bedrock exists within 36 inches of the surface, and bedrock, according to STATSGO2 takes a difficulty rating of 4, then it simply does not make sense that the Difficulty for each Alaskan carrier is 1.

- Alaska Coefficient

In the adopted quantile regression methodology, the Commission includes a new dummy variable “Alaska”. The variable was included to acknowledge that Alaskan carriers face unique cost circumstances that cause costs to exceed those found in the lower forty eight states. The variable has a strong negative coefficient for CapEx, which fails to make intuitive sense as negative coefficients lower the value of the 90<sup>th</sup> percentile cap, effectively lowering the amount of HCLS the carrier is eligible to receive. The coefficient on the Alaska variable in the OpEx regression is positive, however in absolute terms, the size of the coefficient is much smaller than

in the CapEx regression. If the intended purpose of the variable is to acknowledge higher costs experienced by operating in Alaska, then it is irrational for the variable to do just the opposite by lowering the value of the 90<sup>th</sup> percentile cap. We have not changed the FCC original input, and will defer additional discussion of this to our request for expedited waiver.

- Tribal

In footnote 197 of the Transformation Order, tribal lands is defined as including Alaska Native regions established pursuant to the Alaska Native Claims Settlements Act (85 Stat. 688).

Further, Alaska is considered to be 100% tribal, based on a Bureau of Indian Affairs determination dated March 31, 1999. We have attached a copy of this letter, wherein the relevant paragraph is the third one.

During the July 11 discussion, staff acknowledged that this input variable would be corrected.

- Inclusion of Acquired GTE Properties

Prior to the Transformation Order, the exchanges acquired from GTE were treated separately for USF purposes. Review of the input data suggests that the FCC included an acquired GTE exchange in the variable “Exchanges” for Arctic Slope. A comparison of loop counts shows that acquired GTE loops are not included in the variable “Loops” and GTE plant depreciation is not factored in to the variable “PctUndepPlant.” It is damaging to the regression model and to the service provider to include GTE data in certain variables and not others.

We recommend the input variable for “LnExchanges” be shown as “8”.

After using the corrected variables discussed in this ex parte, we have attached our calculations that show ASTAC’s 90% CPL Limits per Loop, as of July 1, 2012 should be stated as follows:

Cap Ex	\$951.31
Op Ex	\$4575.51

As required by the Commission’s rules, this ex parte record is now filed in the above referenced dockets. If there are any questions, please call me on 503.612.4409.

Respectfully submitted,

Via ECFS 7/13/12

Jeffrey H. Smith  
Vice-President and Division Manager, Western Region  
Chairman of the Board of Directors

Copy to  
WCB staff in attendance  
Steve Merriam, Arctic Slope Telephone Association Cooperative

**Attachments in ASTAC QRA binder:**

Climate variable information (file name is ASTAC ex parte climate discussion.docx)

Road mile detail for ASTAC exchanges, includes 8 maps  
Google Earth verification of ASTAC lack of roads

BIA letter dated March 31, 1999